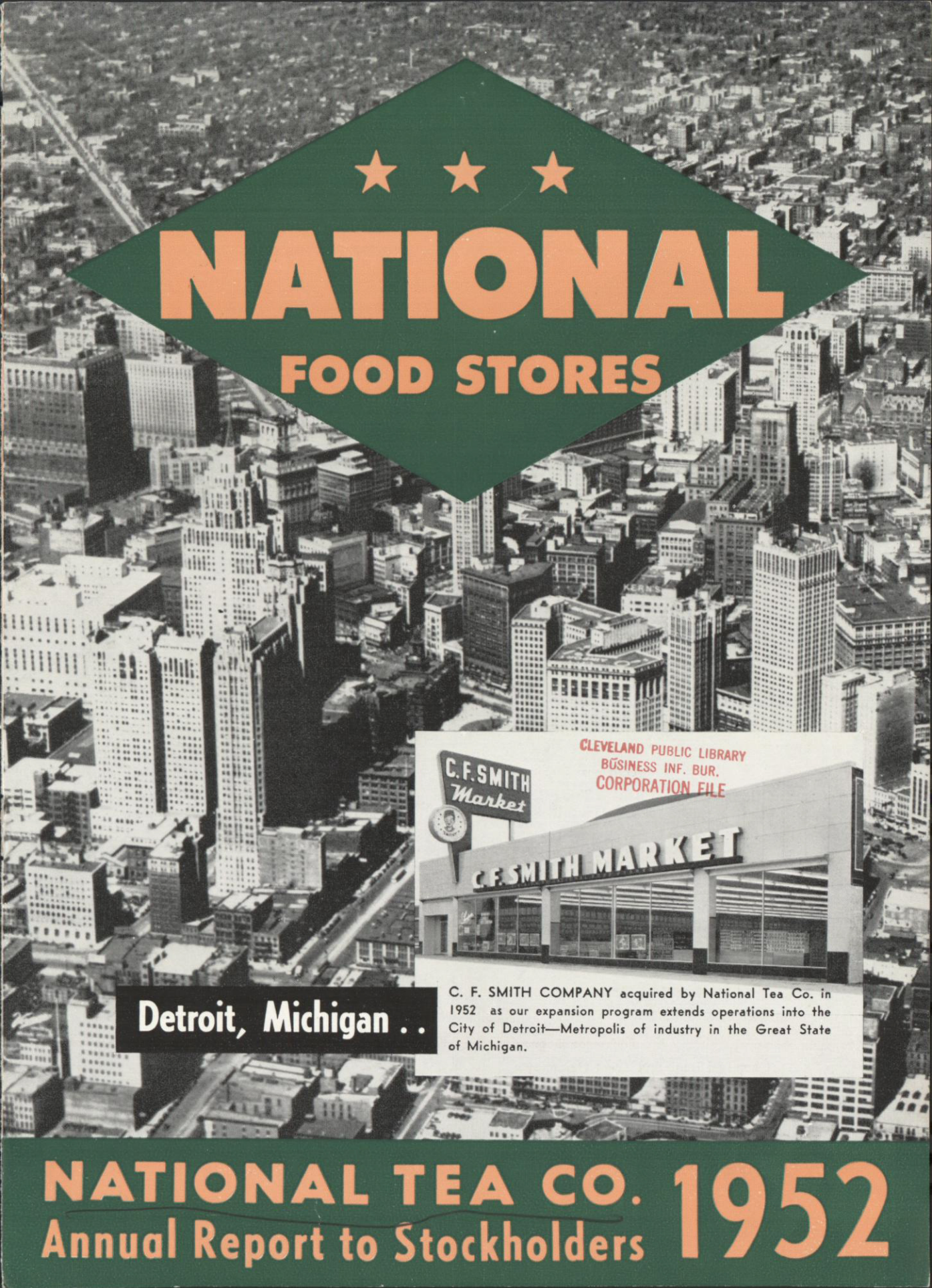




★ ★ ★

NATIONAL

FOOD STORES

Detroit, Michigan . .



C. F. SMITH COMPANY acquired by National Tea Co. in 1952 as our expansion program extends operations into the City of Detroit—Metropolis of industry in the Great State of Michigan.

NATIONAL TEA CO.
Annual Report to Stockholders

1952

NATIONAL TEA CO.

GENERAL OFFICES 1000 N. CROSBY ST.
CHICAGO, ILL.

OFFICERS AND DIRECTORS



TRANSFER AGENTS

Common Shares:

The First National Bank of Chicago
Chicago, Illinois
The Chase National Bank of New York
New York, New York

Preference Shares:

Continental Illinois National Bank & Trust Co.
Chicago, Illinois
J. P. Morgan & Co., Incorporated
New York, New York

REGISTRARS

Common Shares:

Continental Illinois National Bank & Trust Co.
Chicago, Illinois
The New York Trust Company
New York, New York

Preference Shares:

Chemical Bank and Trust Company
New York, New York
American National Bank & Trust Co. of Chicago
Chicago, Illinois

DIRECTORS

JOHN F. CUNEO *

President of The Cuneo Press, Inc.

JOHN V. FARWELL III *

President of Sanitary Scale Co.

RAYMOND P. FISCHER

Vice President of The Cuneo Press, Inc.

ARTHUR J. HANSEN

Vice President and Branch Manager

CHARLES S. KELLY

Attorney

HARLEY V. McNAMARA *

President

ROBERT V. RASMUSSEN

President, Elmwood Trust

WILLIAM E. RUSSELL

Secretary-Treasurer

ROBERT E. STRAUS

*Executive Vice President of The American
National Bank and Trust Company of Chicago*

* Member of Executive Committee

OFFICERS

HARLEY V. McNAMARA, *President*

ARTHUR J. HANSEN, *Vice President*

NORBERT L. CHAPLICKI, *Vice President*

FRANK J. GRUMAN, *Vice President*

WILLIAM E. RUSSELL, *Secretary-Treasurer*

CLARENCE E. BEARD, *Assistant Treasurer*

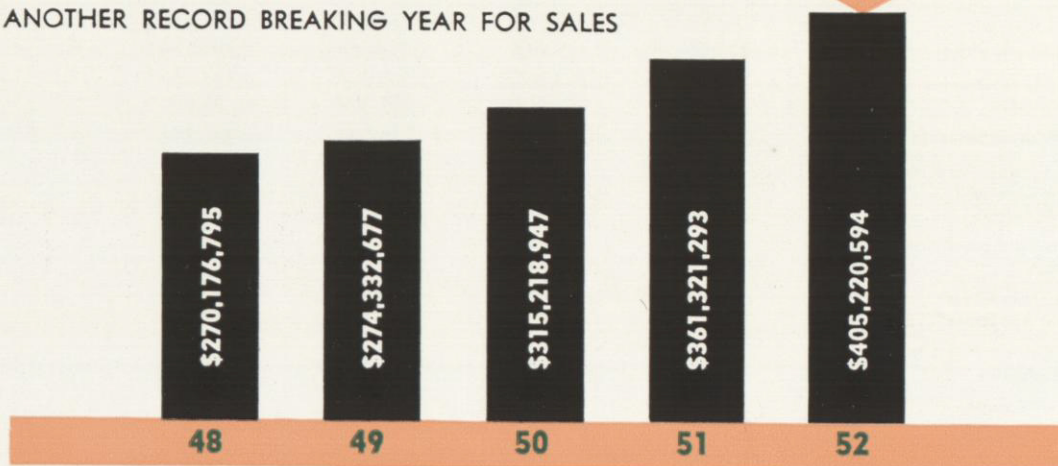
CHARLES WOODING, *Assistant Treasurer*

STANLEY J. WALLEN, *Assistant Secretary*

WILLIAM T. MORGAN, Jr., *Assistant Secretary*

MANAGEMENT REPORT FOR YEAR . . . 1952

ANOTHER RECORD BREAKING YEAR FOR SALES



We submit herewith the Annual Report of your Company covering operation for the year 1952, including the financial statement of the Company and its subsidiaries, together with auditors' certificate.

SALES AND PROFITS

Sales for the year 1952 amounted to \$405,220,594 as compared with \$361,321,293 for the year 1951, an increase of \$43,899,301 or 12.15%. Our sales showed an increase for the eighth consecutive year and again set a new high record for the Company.

Our earnings for the year amounted to \$3,717,769, equivalent after preferred dividends to \$2.05 per share on 1,568,360 shares of presently outstanding common. This compares with a profit of \$3,607,930 in 1951 or \$2.14 per share on 1,541,960 shares of common. Results for the current year are after providing an amount of \$170,000 to cover estimated excess profits taxes as compared with \$50,000 for the year 1951. While we have record dollar sales, our earnings were affected by the acquisition of new branches during the year where we had unusual expenses in acquisition and operation, to bring them around to our methods and which should reflect profitably this coming year. Our earnings were further affected by the increase in Federal taxes of approximately \$1,000,000.

DIVIDENDS

In 1952 dividends of \$1.60 per share were paid on the common shares and preferred dividends in the amount of \$504,000 were paid. In 1951 dividends of \$1.60 per share were paid on the common shares and preferred dividends amounted to \$266,069.

RESULTS AT A GLANCE

Results of operations for the Calendar Year

	1948	1949	1950	1951	1952
Sales.....	\$270,176,795	\$274,332,677	\$315,218,947	\$361,321,293	\$405,220,594
Net profit before federal taxes.....	6,483,006	7,419,935	9,764,563	7,202,930	8,407,769
Federal Taxes—Normal	2,433,000	2,848,000	4,050,000	3,545,000	4,520,000
Excess profits.....			500,000	50,000	170,000
Net profit after federal taxes.....	4,050,006	4,571,935	5,214,563	3,607,930	3,717,769
Earned					
Per Share Common*	2.54	2.89	3.31	2.14	2.05
Percent of Sales.....	1.50	1.66	1.65	.998	.92
Dividends paid per share					
on Common*	.9375	1.25	1.60	1.60	1.60
Common Shareholders					
Investment per Share*	14.50	16.09	18.40	18.75	19.28
Ratio of Current Assets to					
Current Liabilities.....	2.40	2.48	2.02	2.43	2.17
Number of Common					
Shares Outstanding.....	769,380	769,380	1,541,160	1,541,960	1,568,360

*Common stock split two for one on December 20, 1950.
Earnings for all years shown on equivalent basis.

INVENTORIES

Inventories of merchandise and supplies at December 31, 1952 amounted to \$27,794,647 as compared with \$22,654,409 at December 31, 1951, an increase of \$5,140,238 due to new stores opened and the purchase of additional branches in Michigan.

STORES

	1948	1949	1950	1951	1952
Stores with meat markets.....	569	596	591	596	668
Conventional grocery stores.....	90	59	43	28	97
Total stores on December 31.....	659	655	634	624	765

REAL ESTATE

During the month of April, 1952, we acquired 211 stores from the C. F. Smith Company in Detroit, Michigan. During the month of July, 1952 we acquired six stores from the George T. Smith Market Baskets, Inc. in Lansing, Michigan and six stores from the Dole Super Markets, Inc., four being in Battle Creek, Michigan and two in Kalamazoo, Michigan. The majority of the C. F. Smith stores are small obsolete stores which are being closed as rapidly as possible. As of February 26, 1953 we reduced the total number of stores in our Detroit branch to 137 and shall continue to close the small stores; we are now on a super market expansion in this market.

Our Milwaukee branch moved into its new modern one floor warehouse as of December 1, 1952, which should improve service to our stores at lesser cost.

Our warehouse property at 5555 Archer Avenue continues to be occupied by the Government for defense purposes and there has been no decision rendered by the Court in relation to our compensation for use of this property nor our possible repossession date.

During the year 1952 your Company completed 47 new stores, 21 being relocations and it plans to open approximately 50 new stores in 1953, of which 19 will be relocations.

FINANCIAL

During the year 1952 the Company purchased all of the outstanding capital stock of the C. F. Smith Company of Detroit, Michigan, the George T. Smith Market Baskets, Inc. of Lansing, Michigan and the Dole Super Markets, Inc. of Battle Creek, Michigan.

25,000 shares of treasury common were issued in part payment for the C. F. Smith Company shares.

In acquiring the C. F. Smith Company, we acquired certain warehouse properties and also 51 store locations, 23 of which had been sold by the end of the year. It is expected that we will sell the remaining properties as market conditions permit.

Following is a brief summary of the changes in the working capital position of the Company during the year 1952:

Source of Funds:

Net Profit.....	\$3,717,769
Treasury shares.....	610,279
Reserve for Self-insurance.....	54,303

\$ 4,382,351

Disposition:

Excess of capital expenditures over provision for depreciation, amortization and sales.....	\$2,007,345
Other assets.....	389,170
Serial Notes.....	400,000
Dividends:	
Preference shares.....	504,000
Common shares.....	2,497,816

5,798,331

Decrease in Net Current Assets...

\$(1,415,980)

EMPLOYEE RELATIONS

Wages paid to employees in 1952 amounted to \$43,151,375 as compared with \$37,177,092 in 1951, an increase of \$5,974,283 or 16.09%. Wages increased during the last year and will continue to increase this year due to union contracts which are expiring. However improved merchandising in stores, improved handling of warehouse and transportation and the excellent cooperation of our employees has, and will keep this increase within reasonable limits. We feel certain we will continue to improve both sales and profits during 1953 and to them we extend our sincere thanks and appreciation.

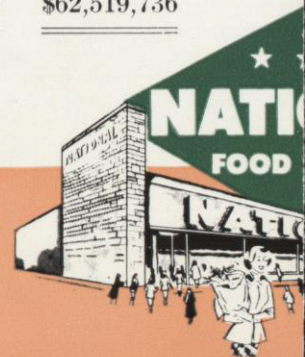
Chicago, Illinois
February 26, 1953

H. V. McNamara
President



ASSETS		1952	1951
CURRENT ASSETS:			
Cash.....		\$11,527,092	\$16,642,127
Accounts receivable, less reserves of \$18,442 and \$18,294		1,475,593	1,053,256
Receivable from U. S. Government on account of Chicago warehouse preceedings (Note 4).....		1,054,111	408,518
Inventories, at lower of cost or market—			
Merchandise.....		26,736,626	21,565,341
Supplies.....		1,058,021	1,089,068
Total current assets.....		<u>\$41,851,443</u>	<u>\$40,758,310</u>
OTHER ASSETS:			
Prepaid rents, insurance, noncurrent receivables, etc	\$	689,390	\$ 420,220
Investment in Everywoman's Magazine, at cost		200,000	200,000
Purchase fund for 4.2% preference shares		120,000	—
		<u>\$ 1,009,390</u>	<u>\$ 620,220</u>
PLANT AND EQUIPMENT, at cost:			
	Gross	Reserves	
Land.....	\$ 1,094,367	\$ —	\$ 1,094,367
Buildings.....	4,240,932	2,319,807	1,921,125
Fixtures and equipment.....	25,935,082	10,372,868	15,562,214
Leaseholds and leasehold improvements, less amortization	1,884,203	—	1,884,203
Milwaukee warehouse under construction.....	—	—	—
	<u>\$33,154,584</u>	<u>\$12,692,675</u>	<u>\$20,461,909</u>
			<u>\$17,293,427</u>
Less—Excess of underlying book value at date of acquisition over cost of consolidated subsidiaries.....		1,049,129	—
		<u>\$19,412,780</u>	<u>\$17,293,427</u>
CHICAGO WAREHOUSE, at cost, less reserves of \$373,959 and \$261,951 (nonoperating property in use by U. S. Government for defense purposes—Note 4).....			
		\$ 3,735,771	\$ 3,847,779
		<u>\$66,009,384</u>	<u>\$62,519,736</u>

See notes to financial statements.



BALANCE SHEET DECEMBER 31, 1952 AND 1951

LIABILITIES

1952

1951

CURRENT LIABILITIES:

Current maturities on long-term debt.....	\$ 400,000	\$ 400,000
Accounts payable.....	10,876,540	10,082,624
Accrued liabilities.....	3,179,639	2,565,949
Federal income and excess profits taxes.....	4,809,270	3,707,763
Total current liabilities.....	\$19,265,449	\$16,756,336

LONG-TERM DEBT, less current maturities included above:

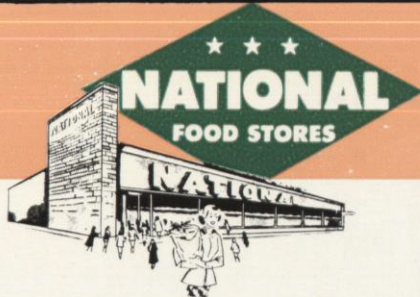
3¼% promissory note due serially 1954 to 1964.....	\$ 3,400,000	\$ 3,700,000
3% notes due serially 1954 to 1960.....	800,000	900,000
	\$ 4,200,000	\$ 4,600,000

RESERVE FOR SELF-INSURANCE.....	\$ 304,741	\$ 250,438
---------------------------------	------------	------------

CAPITAL STOCK AND SURPLUS:

Preference shares, cumulative, convertible, par value \$100, authorized 150,000 shares, issued 120,000 shares, 4.2% series.	\$12,000,000	\$12,000,000
Common shares, par value \$5, authorized 2,100,000 shares (in- cluding 480,000 reserved for conversion of preference shares), issued 1,576,460 shares.....	7,882,300	7,882,300
Paid-in surplus.....	3,528,880	3,051,897
Earned surplus (Note 1).....	18,876,064	18,160,111
	\$42,287,244	\$41,094,308
Less—Approximate cost of treasury common shares (Note 3), 8,100 shares in 1952 and 34,500 shares in 1951.....	48,050	181,346
	\$42,239,194	\$40,912,962
	\$66,009,384	\$62,519,736





National Tea Co. and Subsidiaries

STATEMENT OF CONSOLIDATED INCOME

For the Years Ended December 31, 1952 and 1951

	1952	1951
SALES AND OTHER INCOME:		
Sales.....	\$405,220,594	\$361,321,293
Profits on disposal of fixed assets, etc.....	169,564	103,658
Revenues from Chicago warehouse—net of interest and depreciation (Note 4) ..	276,577	90,380
	<u>\$405,666,735</u>	<u>\$361,515,331</u>
COSTS AND EXPENSES:		
Materials and services purchased from others.....	\$339,900,684	\$305,360,465
Wages and salaries.....	43,151,375	37,177,092
Rentals paid for leased properties.....	4,155,098	3,438,572
Provision for depreciation and amortization.....	2,516,378	2,088,133
Interest on indebtedness.....	70,866	86,891
Social security, State, local and miscellaneous taxes.....	7,464,565	6,161,248
	<u>\$397,258,966</u>	<u>\$354,312,401</u>
Income before Federal income taxes.....	\$ 8,407,769	\$ 7,202,930
Provision for Federal income taxes (including \$170,000 in 1952 and \$50,000 in 1951 for excess profits tax).....	4,690,000	3,595,000
NET INCOME FOR THE YEAR.....	<u><u>\$ 3,717,769</u></u>	<u><u>\$ 3,607,930</u></u>

STATEMENT OF CONSOLIDATED SURPLUS

For the Year Ended December 31, 1952

PAID-IN SURPLUS	
BALANCE AT BEGINNING OF YEAR.....	\$ 3,051,897
Excess of market value over carrying value of 25,000 treasury common shares used as part payment for purchase of subsidiary company.....	445,475
Excess of option price over carrying value of 2,700 treasury common shares sold to officers and employees.....	31,508
BALANCE AT END OF YEAR.....	<u><u>\$ 3,528,880</u></u>
EARNED SURPLUS	
BALANCE AT BEGINNING OF YEAR.....	\$18,160,111
NET INCOME.....	3,717,769
	<u>\$21,877,880</u>
DEDUCTIONS:	
Dividends—	
Preference shares, 4.2% series.....	\$ 504,000
Common shares (\$1.60 per share).....	2,497,816
	<u>\$ 3,001,816</u>
BALANCE AT END OF YEAR.....	<u><u>\$18,876,064</u></u>

See notes to financial statements.

AUDITORS' CERTIFICATE

Arthur Andersen & Co.

120 South La Salle Street, Chicago 3

To the Board of Directors, National Tea Co.:

We have examined the consolidated balance sheet of NATIONAL TEA CO. (an Illinois corporation) AND SUBSIDIARIES as of December 31, 1952, and the related statements of consolidated income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had previously made a similar examination for the year ended December 31, 1951.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income and surplus present fairly the financial position of National Tea Co. and Subsidiaries as of December 31, 1952, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chicago, Illinois,

February 16, 1953

ARTHUR ANDERSEN & Co.

National Tea Co. and Subsidiaries

NOTES TO FINANCIAL STATEMENTS

December 31, 1952 and 1951

(1) **DIVIDEND RESTRICTION:** At December 31, 1952, earned surplus of \$14,313,325 is restricted as to the payment of dividends on common shares; net current assets remaining after giving effect to the payment of dividends on common shares must equal at least \$10,000,000.

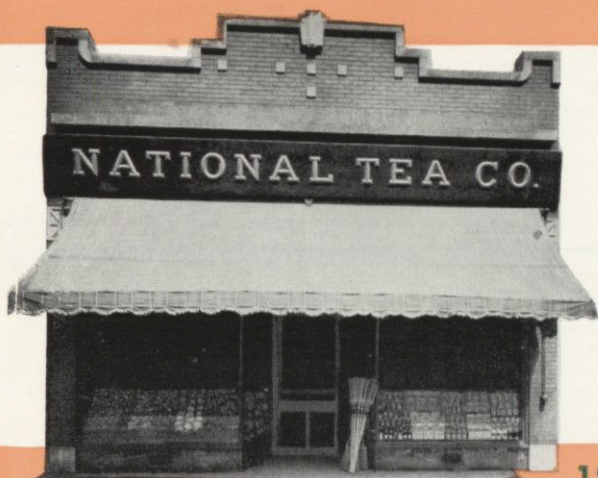
(2) **LITIGATION:** During the year, the suit filed in June, 1949 by Dean Milk Company against a number of defendants, including the company, claiming damages for alleged violations of the anti-trust laws was settled. Under one of the provisions of the settlement agreement, the sum of \$400,000 is to be paid to the plaintiff by the company and another defendant. By a simultaneous agreement between the company and such other defendant, and in consideration of the company waiving its right to a trial of the suit on its merits and agreeing to the settlement, such other defendant undertook and agreed to pay the \$400,000.

In February, 1952 a suit was filed by an alleged stockholder against the company, certain directors and officers, and four corporations in which certain of the defendants have ownership or management interests. The suit seeks to set aside a sale of stock by the company to an officer, a stock option granted to an officer, and purchases of merchandise by the company from the four defendant corporations. The plaintiff alleges that these transactions were not reported or disclosed to the stockholders, but secretly benefited certain of the defendants at the expense of the company. The defendants deny the allegations and have filed motions to dismiss the suit. All of the transactions referred to in the suit were reported to the stockholders in proxy statements sent to them during the years 1945 to 1951.

(3) **STOCK OPTIONS:** At December 31, 1952, the 8,100 common shares in treasury were reserved under option agreements for sale to officers and employees at \$17.50 per share. These options are exercisable cumulatively to the maximum of 2,500 shares on or before July 11, 1953, plus 2,800 additional shares for each succeeding year through July 11, 1955.

(4) **CHICAGO WAREHOUSE PROCEEDING:** The Chicago warehouse acquired from the U. S. Government in 1948 for occupancy in 1950 was reactivated by the Government for defense purposes and possession taken on March 16, 1951, for a period of five years. The compensation offered by the Government for this property was \$516,022.50 per year net of taxes, insurance, etc. This offer is considered unsatisfactory by the company as to the amount and time of payment and proceedings are pending before the United States District Court for final determination.

National sets the pace for the industry in this ever changing food retailing—



1920

Yesterday stores like the one pictured at the left represented the latest word in modern food retailing—but that was in the 1920's, and stores like the modern National pictured below, 4242 North Central Avenue, Chicago, represent the modern version of the retail food stores of today. Larger stores mean greater investment, and, of course, proportionately greater opportunity for sales and profits.

In the year 1920, National Tea Co. opened 53 new stores at a fixture and installation cost of \$105,000, or approximately \$2,000 per store. The last 47 new super markets opened by your Company in the year 1952 represented an investment in fixtures and installation of \$2,115,000, or approximately \$45,000 per store.

In 1920, the average store building, like the one illustrated above, was 20x65 ft., representing a leasehold investment of approximately \$5,000. The buildings we occupy for new stores today average 70x135 ft., and since most of our new stores have adjoining parking lots, total real estate investment will exceed \$100,000.

The merchandise inventory in the stores of 1920 averaged approximately \$1,000. Today's modern National Food Store offers a greater variety of some 4,000 items, and our merchandise inventory in these new stores will approximate \$50,000.

The transformation from the corner grocery to the modern super market has made a science out of food retailing. These figures, as well as the stores illustrated, present a reasonable comparison of the corner grocery store of yesterday with the scientifically operated National Food Store of today.



1952

● The speed with which we have expanded our operations into new territories as a result of our aggressive expansion program, has precluded the advisability of any immediate change to our own trade name, which must necessarily be undertaken in a gradual process for the best interest of our business. Therefore, we continue to operate under the name which has the greatest acceptance in each market until such time as the National Food Store name, through close association with the locally accepted name, can be promoted to win consumer goodwill equal to that which National enjoys in other markets.

In the area of the Midwest States served by the stores in Chicago, Milwaukee, and Minneapolis branches, we are, of course,

**NATIONAL
FOOD STORES**



In that part of the State of Indiana served by the stores in our Indianapolis Branch, we are known as

**STANDARD
FOOD STORES**

In Western Michigan, served by the stores we have recently taken over, which comprise our new Lansing Branch, we operate under two names. In Lansing it's—

**MARKET BASKET
STORES**



In that part of the State of Michigan served by the stores in our newly acquired Detroit branch, we operate as

**C. F. SMITH
STORES**

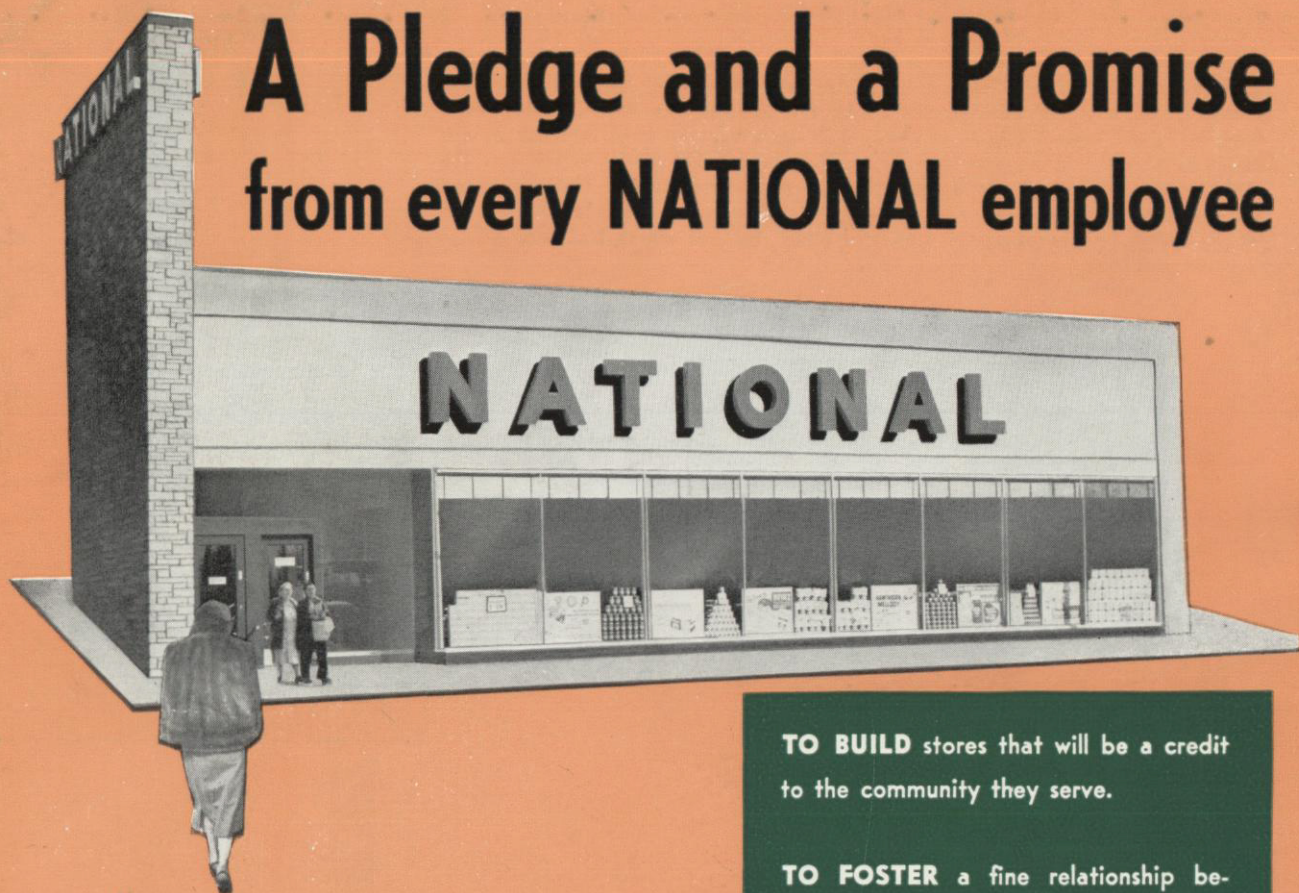
Also a part of our Lansing Branch are our newly acquired stores in Battle Creek operated as—

**DOLE
SUPER MARKETS**



**We retain the name that people know as we
build acceptance for National wherever we go**

A Pledge and a Promise from every NATIONAL employee



N. DAKOTA
10 Stores
10 Markets

MINNESOTA
129 Stores
129 Markets

S. DAKOTA
11 Stores
11 Markets

MINNEAPOLIS ★

WISCONSIN
74 Stores
73 Markets

LANSING ★

MICHIGAN
173 Stores
89 Markets

IOWA
23 Stores
21 Markets

MILWAUKEE ★

DETROIT ★

CHICAGO ★

ILLINOIS
283 Stores
273 Markets

INDIANA
62 Stores
62 Markets
★
INDIANAPOLIS

★ Branch Warehouses
with Bakeries
★ Branch Warehouses

NATIONAL FOOD STORES
Chicago, Illinois
1000 Crosby Street

NATIONAL FOOD STORES
Milwaukee, Wisconsin
2727 West Silver Spring Drive

C. F. SMITH STORES
Detroit, Michigan
615 West Grand Blvd.

STANDARD FOOD STORES
Indianapolis, Ind.
675 E. Washington St.

MARKET BASKET STORES
Lansing, Michigan
1110 S. Pennsylvania Ave.

DOLE SUPER MARKETS
Battle Creek and
Kalamazoo, Michigan

NATIONAL FOOD STORES—Minneapolis, Minnesota,
Excelsior Ave. at Interlachen Rd., Hopkins, Minn.

TO BUILD stores that will be a credit
to the community they serve.

TO FOSTER a fine relationship be-
tween our stores and their customers,
co-workers and suppliers.

TO MAINTAIN quality and always sell
merchandise at a fair price.

TO STRESS honesty and sincerity in
our advertising and selling.

TO CONSIDER no sale complete until
the items purchased have rendered
satisfaction.

TO MEASURE our success only in serv-
ice which we are able to render our
customers.

*These are the Ideals that guide our
efforts to serve you better and save
you more.*